

# Volume VIII , Section 2 – Funding Methods

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## Current Funding Level (CFL)

The Current Funding Level is one of the mechanisms to assist and ensure schools are reporting disbursement records on a timely basis. The CFL is the total amount of funding given to a school at any point of time, and is a subset of the school ceiling amount (SCA). The CFL includes cash that has already been drawn down and cash available for the school to draw down. A separate CFL is maintained for each program by award year. A school's CFL may be adjusted based on its amount of substantiated cash.

### ***Business Rules:***

- 1) The CFL can be increased by FSA to reflect the needs of a school.
- 2) The current CFL for a school, each advance, and percentage of the advance that has been substantiated can be viewed on the COD web site.
- 3) If a school determines that the CFL is not at an appropriate level, the school can contact their customer service representative and request that FSA increase their CFL.
- 4) Depending on the school's funding control and delivery method, when a school's total accepted actual disbursement records exceed the amount of funds already sent to the school, funds are either:
  - a) Transmitted automatically to the schoolOR
  - b) Available for the school to draw down through GAPS
- 5) If an advance is not substantiated within the prescribed period of time, the school's access to cash may be restricted.

- 6) Schools are contacted by a Customer Service Representative as soon as it appears that the school is having difficulty substantiating advances.
- 7) If cash is to be restricted, schools receive electronic warning notices and letters from Customer Service and/or FSA.

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## Funding Delivery Methods

There are two methods for delivering funds to schools:

- Advanced Funded
- Pushed Cash

These two funding delivery methods work in conjunction with the Funding Controls described below to ensure that schools have access to the funds they need, when they need them.

### Advanced Funded

Under the Advanced Funded delivery method, schools initiate draw down requests through the Grant Administration and Payment System (GAPS). Schools may only draw down cash up to the difference between the school's Current Funding Level (CFL) in COD and the amount of unsubstantiated cash at the school for a given award year and program. The U.S. Treasury transmits funds to the school's bank.

### Pushed Cash

Under the Pushed Cash funding delivery method, a school has cash deposited in its bank account based on actual disbursements that are submitted and accepted by the COD System. For Direct Loan, an accepted MPN is required before an actual disbursement is accepted and cash pushed to the school.

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## Funding Controls

Schools' ability to receive cash to fund their Pell Grants and Direct Loans is contingent upon submitting actual disbursement records to substantiate drawdowns. A school's funding control dictates the acceptable timeframe that the school can submit actual disbursement records and therefore receive cash.

- There are five Funding Controls:
  - Advance Pay
  - Just-In-Time (JIT)
  - Cash Monitoring 1 (CM1)

- Cash Monitoring 2 (CM2)
- Reimbursement

## **Advance Pay**

Under the Advance Pay funding control, schools can submit actual disbursement records in advance of, on, or after the disbursement date.

### ***Business Rules:***

- 1) The Advance Pay funding control uses the Advanced Funded delivery method.
  - a) Schools can initiate drawdowns through GAPS up to their amount of available CFL.
- 2) At the beginning of each award year, a school's initial CFL amount is calculated for Pell Grants and Direct Loans on the basis of the school's prior years disbursement history.
- 3) Each drawdown a school receives using the Advance Pay funding control must be substantiated with actual disbursements submitted and accepted by the COD System.
  - a) Upon acceptance of an actual disbursement, the CFL calculation is performed and uses the actual disbursement to determine if the CFL needs to be increased.
- 4) Actual disbursement records can be submitted within the following parameters:
  - a) For the Pell Grant Program, up to 30 calendar days prior to the disbursement date.
  - b) For the Direct Loan Program, up to seven (7) calendar days prior to the disbursement date.
- 5) Actual disbursements are applied to substantiate drawdowns on a first-in/first-out basis.
- 6) The CFL may change throughout the year as the school transmits actual disbursement information on a "timely basis" and the COD System accepts the disbursements.
  - a) A school's CFL can be decreased unless the school submits and the COD System accepts sufficient actual disbursements.
- 7) For Direct Loan, a school eligible for the Advance Pay funding control may request to use the Pushed Cash funding delivery method.

## **Just-In-Time**

Schools using the Pell Just-In-Time funding control are participants in a pilot program whereby they are extended certain regulatory relief not provided to other schools.

***Business Rules:***

- 1) The Just-In-Time funding control uses the Pushed Cash funding delivery method
  - a) Schools have cash deposited in their bank account based on actual disbursements that are submitted and accepted by the COD System.
- 2) Actual disbursements can be submitted up to seven (7) calendar days before the disbursement date.
- 3) For Pell Grant, the school does not have a CFL until the COD System accepts and posts actual disbursements.
- 4) For Direct Loan, the school may receive an initial CFL based on their prior years disbursement history.
- 5) Cash is deposited in the school's bank account by the disbursement date of an accepted and posted actual disbursement.
- 6) The school must return cash when a downward adjustment to a disbursement amount is made.

**Cash Monitoring 1 (CM1)**

A school can be placed on Cash Monitoring 1 (CM1) by FSA. Under the CM1 funding control, schools may draw down cash through GAPS or have direct cash payment deposited in its bank account based on actual disbursements submitted to and accepted by the COD System. If a school is on CM1 at the beginning of the award year, it will not have access to cash until it has accepted actual disbursements on the COD system.

***Business Rules:***

- 1) For Pell Grant, the Cash Monitoring1 (CM1) funding control uses the Advanced Funded delivery method.
  - a) Upon acceptance of actual disbursements, schools can initiate drawdowns through GAPS up to the amount of their available CFL.
- 2) For Direct Loan, the Cash Monitoring1 (CM1) funding control uses the Advance Pay or Pushed Cash funding delivery method (whichever method the school used prior to being placed on CM1).
- 3) For Pell Grant, the school does not have a CFL until the COD System accepts and posts actual disbursements.
  - a) The school's CFL will equal its net accepted actual disbursements.

- 4) For Direct Loan, the school may receive an initial CFL based on their prior years disbursement history.
- 5) Actual disbursements can be submitted up to seven (7) calendar days before the disbursement date.
- 6) Schools placed on CM1 are required to submit documentation of disbursements as directed by FSA.
- 7) For Direct Loan, CM1 schools are required to have a MPN accepted before COD will accept actual disbursements.

## **Cash Monitoring 2 (CM2)**

A school is placed on Cash Monitoring 2 (CM2) by FSA. Under the CM2 funding control, FSA Case Management initiates a drawdown through GAPS on behalf of a school or direct cash payments are deposited in the school's bank account based on actual disbursements submitted to and accepted by the COD System and released by FSA Case Management.

### ***Business Rules:***

- 1) For Pell Grant, the Cash Monitoring 2 (CM2) funding control uses the Advanced Funded delivery method.
  - a) FSA Case Management initiates the drawdown through GAPS upon review of required documentation.
- 2) For Direct Loan, the Cash Monitoring 2 (CM2) funding control uses the Pushed Cash funding delivery method.
  - a) Direct cash payment deposited in school's bank account based on accepted actual disbursements released by FSA Case Management.
- 3) Actual disbursements can be submitted on or after the disbursement date.
- 4) For Direct Loan, the school receives an initial CFL amount based on their prior years disbursement history. For Pell Grants, the school does not have a CFL until the COD System accepts and posts actual disbursements.
- 5) Schools placed on CM2 are required to submit documentation of disbursements as directed by FSA.
- 6) For Direct Loan, CM2 schools are required to have a MPN accepted before COD will accept actual disbursements.

## Reimbursement

Under the Reimbursement funding control, FSA Case Management initiates a drawdown through GAPS on behalf of a school or direct cash payments are deposited in the school's bank account based on actual disbursements submitted to and accepted by the COD System and released by FSA Case Management.

### ***Business Rules:***

- 1) For Pell Grant, the Reimbursement funding control uses the Advanced Funded delivery method.
  - a) FSA Case Management initiates the drawdown through GAPS upon review of required documentation.
- 2) For Direct Loan, the Reimbursement funding control uses the Pushed Cash funding delivery method.
  - a) Direct cash payment deposited in school's bank account based on accepted actual disbursements released by FSA Case Management.
- 3) Actual disbursements can be submitted on or after the disbursement date.
- 4) For Direct Loan, the school receives an initial CFL amount based on their prior years disbursement history. For Pell Grants, the school does not have a CFL until the COD System accepts and posts actual disbursements.
- 5) Schools placed on Reimbursement are required to submit documentation of disbursements as directed by FSA.
- 6) For Direct Loan, Reimbursement schools are required to have a MPN accepted before COD will accept actual disbursements.

## Relationship between Direct Loan Processing Options and Funding Controls

	<b>Advance Pay</b>  Receives an Initial CFL > 0 before submission of any actual disbursements  School initiates drawdown through GAPS  Actual disbursements can be accepted with or without accepted promissory notes	<b>Pushed Cash</b>  May receive an Initial CFL > 0 before submission of any actual disbursements  Direct cash payment deposited in school's bank account based on accepted actual disbursements  Actual disbursements cannot be accepted without accepted promissory notes	<b>Cash Monitoring 1 (CM1)</b>  May receive an Initial CFL > 0 before submission of any actual disbursements  School initiates drawdown through GAPS web site or Direct Cash payment deposited in school's bank account based on accepted actual disbursements  Actual disbursements cannot be accepted without accepted promissory notes	<b>Cash Monitoring 2 (CM2)</b>  Receives an Initial CFL > 0 before submission of any actual disbursements  Direct Cash payment deposited in school's bank account based on accepted actual disbursements released by FSA Case Management  Actual disbursements cannot be accepted without accepted promissory notes	<b>Reimbursement</b>  Receives an Initial CFL > 0 before submission of any actual disbursements  Direct Cash payment deposited in school's bank account based on accepted actual disbursements released by FSA Case ManagementS  Actual disbursements cannot be accepted without accepted promissory notes
<b>DL - Option 1</b> ▪ Submits actual disbursements up to 7 calendar days in advance		X	X*		
<b>DL –Option 2</b> ▪ Submits actual disbursements up to 7 calendar days in advance	X	X**	X		
<b>DL – Standard Origination</b> ▪ Submits actual disbursements up to 7 calendar days in advance		X	X***		
<b>DL – Reimbursement</b> ▪ Submits actual disbursements on or after disbursement date			X	X	X

\* If an Option 1 school is placed on CM1, their funding delivery method will remain Pushed Cash unless FSA manually changes it.

\*\* An Option 2 school can contact COD Customer Service to request to use the Pushed Cash delivery method. FSA will review the request and, if appropriate, make the change.

\*\*\* If a Standard Origination school is placed on CM1, their funding delivery method will remain Pushed Cash unless FSA manually changes it.

## Relationship between Pell Processing Options and Funding Controls

	<b>Advance Pay</b>	<b>Pushed Cash</b>	<b>Cash Monitoring 1 (CM1)</b>	<b>Cash Monitoring 2 (CM2)</b>	<b>Reimbursement</b>
	May receive an Initial CFL > 0 before submission of any actual disbursements	Receives no CFL prior to submission of actual disbursements	Receives no CFL prior to submission of actual disbursements	Receives no CFL prior to submission of actual disbursements	Receives no CFL prior to submission of actual disbursements
	School initiates drawdown through GAPS	Direct cash payment deposited in school's bank account based on accepted and posted actual disbursements	School initiates drawdown through GAPS	Case Management initiates drawdown through GAPS upon review of required documentation	Case Management initiates drawdown through GAPS upon review of required documentation
<b>Pell Standard (Account type=Obligate only)</b> ▪ Submits actual disbursements up to 30 calendar days in advance	X	X*		X**	X**
<b>Pell Just-In-Time (Account type=Obligate/Pay)</b> ▪ Submits actual disbursements up to 7 calendar days in advance		X	X	X**	X**

\* At this time, a Pell Grant school on the Advance Pay funding control cannot choose to use the Pushed Cash funding delivery method.

\*\* If any school is placed on either CM2 or Reimbursement, they can no longer submit disbursement records in advance of the disbursement date.